

**Proposed Guide**  
**December 2019**  
**Comments due: 6 March 2020**



*Proposed Guide for Registered Auditors*

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## **Joint Audit Engagements**

**WARNING TO READERS**

*The content of this proposed Guide should under no circumstances be used or relied upon until it is issued as a pronouncement by the IRBA.*

## REQUEST FOR COMMENTS

The Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS) approved this Proposed Guide for Registered Auditors: *Joint Audit Engagements* (this proposed Guide) in November 2019 for exposure for a period of 90 days for comment. This proposed Guide may be modified in light of comments received before being issued in its final form.

This proposed Guide has been prepared by a CFAS Task Group, which comprised of technical staff representatives from firms, the South African Reserve Bank – Prudential Authority, the South African Institute of Chartered Accountants and the IRBA.

### **The IRBA's Legislative Mandate**

The objects of the Auditing Profession Act, 2005 (Act No. 26 of 2005) (the Act), are set out in Section 2 and are, inter alia:

- (c) *“To approve the development and maintenance of internationally comparable ethical standards and auditing standards for auditors that promote investment and as a consequence employment in the Republic; and*
- (d) *To set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession”.*

To give effect to the objects of the Act, Section 4 sets out the general functions of the Regulatory Board and these include that *“the Regulatory Board must, in addition to its other functions provided for in this Act”*, take steps to meet certain specific requirements. These include Section 4(1), which specifies that the IRBA must:

- (c) *“Prescribe standards of professional competence, ethics and conduct of registered auditors;”* and
- (e) *“Prescribe auditing standards”.*

To enable the IRBA to meet these requirements, Section 4(2)(a) states that the IRBA may *“participate in the activities of international bodies whose main purpose it is to develop and set auditing standards and to promote the auditing profession”.*

### **Statutory Responsibility of the CFAS**

The statutory responsibility of the CFAS is set out in Section 22(2), which requires that it must assist the IRBA to:

- (a) *Develop, maintain, adopt, issue or prescribe auditing pronouncements;*
- (b) *Consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information where requested; and*
- (c) *Promote and ensure the relevance of auditing pronouncements.*

## REQUEST FOR COMMENTS

This proposed Guide may be downloaded free of charge from the IRBA website on the [exposure drafts page](#).

Comments should be submitted by **6 March 2020**.

Respondents are requested to submit their comments electronically in both Word and PDF formats to the Director Standards, Imran Vanker, at [IVanker@irba.co.za](mailto:IVanker@irba.co.za). Alternatively, they can email the Standards Department at [standards@irba.co.za](mailto:standards@irba.co.za).

All comments will be considered a matter of public record and will be posted on the IRBA website's [exposure drafts page](#).

Should you have any queries, or experience any technical difficulties with downloading the documents, please e-mail [standards@irba.co.za](mailto:standards@irba.co.za) or contact the following directly:

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## EXPLANATORY MEMORANDUM

### Introduction

This memorandum provides the background to and an explanation regarding this Proposed Guide for Registered Auditors: *Joint Audit Engagements* (this proposed Guide).

In turn, this proposed Guide provides guidance to registered auditors (auditors) on the application of International Standards on Auditing (ISAs) and IRBA pronouncements in the circumstances in which auditors or firms perform a joint audit engagement.

The Committee for Auditing Standards (CFAS) approved this proposed Guide in November 2019 for exposure for a period of 90 days.

### Development of this proposed Guide

On approval of the project proposal, the CFAS Steering Committee agreed to the following scope for this proposed Guide:

- Descriptions and/or definitions to appropriately describe the features of a joint audit;
- Roles and responsibilities of the joint auditors, individually and together (including addressing the risk of fronting);
- Independence and other relevant ethical requirements;
- A quality control system;
- Acceptance and continuance of audit client relationships and engagements;
- Joint auditors' agreements;
- The role of an engagement quality control reviewer in a joint audit engagement;
- An audit plan and strategy;
- A new joint audit engagement;
- Consultations on technical, independence/ethical or other matters;
- Access to the working papers of a joint auditor;
- A cross-review of the work performed by the other joint auditor and documentation of the cross-review;
- Communication;
- The role of joint auditors in reporting a reportable irregularity in terms of the Auditing Profession Act;
- The joint auditors' report and the resolution of differences of opinion between joint auditors;
- Concluding in a joint audit engagement;
- Documentation;
- Archiving of the audit file; and
- Considerations of Mandatory Audit Firm Rotation on joint audit engagements.

## EXPLANATORY MEMORANDUM

### **Project timetable**

Subject to comments received on exposure of this proposed Guide, the CFAS intends to finalise the Guide in the second quarter of 2020.

### **Effective date**

The CFAS will take a final decision on the effective date, based on input received from the exposure. The Guide is expected to be effective for audits of financial statements for periods beginning on or after 31 December 2020, with encouragement for early adoption.

### **Post-implementation review**

The CFAS intends to conduct a post-implementation review two years after the effective date of the Guide.

### **Guide for respondents**

The CFAS welcomes comments on all matters addressed in the exposure draft. Comments, however, will be most helpful when they refer to specific paragraphs, include the reasons for the comments and, where appropriate, make specific suggestions for any proposed changes to the wording. Also, when a respondent agrees with the proposals in this exposure draft, it will be helpful for the CFAS to be made aware of this view.

### **Request for specific comments**

Respondents are requested to comment on the following:

1. Are there any aspects of this proposed Guide with which respondents disagree? Please provide details and suggestions for correction and/or improvements.
2. Are there any aspects of this proposed Guide that are unclear and require further guidance? If so, please list those aspects and the guidance required.
3. Given the abovementioned scope, are there further aspects that should be included in this proposed Guide? If so, please list those aspects and the guidance required.
4. Effective date: Recognising that this proposed Guide is new and substantive, the CFAS believes that an appropriate effective date for the standard would be for financial reporting periods beginning on or after 31 December 2020. However, earlier application would be permitted and encouraged. To this end, the CFAS welcomes comments on whether this would provide a sufficient period to support the effective implementation of the Guide.

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# PROPOSED GUIDE FOR REGISTERED AUDITORS: JOINT AUDIT ENGAGEMENTS

(Effective for audits of financial statements for periods beginning on or after 31 December 2020)

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This Proposed Guide for Registered Auditors: *Joint Audit Engagements* provides guidance to registered auditors (auditors) on the application of International Standards on Auditing (ISAs) in the circumstances in which auditors or firms perform a joint audit engagement.

Guides are developed and issued by the Independent Regulatory Board for Auditors to provide guidance to auditors in meeting specific legislative requirements imposed by a Regulator. Guides do not impose requirements on auditors beyond those included in the International or South African Standard(s) or South African regulatory requirements; and they do not change an auditor's responsibility to comply, in all material respects, with the requirements of the International or South African Standard(s) or with South African regulatory requirements relevant to the audit, review, other assurance services or related services engagements.

An auditor is required to have an understanding of the entire text of every Guide to enable the auditor to assess whether or not any particular Guide is relevant to an engagement; and if so, to enable the auditor to apply properly the requirements of the particular International or South African Standard(s) to which the Guide relates.

In terms of Section 1 of the Auditing Profession Act, No. 26 of 2005 (the Act), a Guide is included in the definition of "auditing pronouncements". In terms of the Act, the auditor must, in the performance of an audit, comply with those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board.



## Introduction

### Scope

1. The International Standards on Auditing (ISAs) and IRBA pronouncements apply to joint audit engagements. As such, this Proposed Guide for Registered Auditors: *Joint Audit Engagements* (this proposed Guide) provides guidance to registered auditors (auditors) on the application of the ISAs and IRBA pronouncements in a joint audit engagement.
2. ISA 600 references joint auditors in the definitions section as follows: “Group engagement partner – The partner or other person in the firm who is responsible for the group audit engagement and its performance, and for the auditor’s report on the group financial statements that is issued on behalf of the firm. Where joint auditors conduct the group audit, the joint engagement partners and their engagement teams collectively constitute the group engagement partner and the group engagement team. This ISA does not, however, deal with the relationship between joint auditors or the work that one joint auditor performs in relation to the work of the other joint auditor.”<sup>1</sup> Other than the definition of group engagement partner in the ISAs’ Glossary of Terms, there are no other references to joint auditors in the ISAs.
3. The joint auditors collectively constitute the engagement partner and the engagement team, as appropriate. The ISAs use the term auditor to refer to the person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. Where an ISA expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner”, rather than “auditor”, is used.<sup>2</sup> It then follows that in a joint audit engagement all requirements in the ISAs where there is a reference to an “auditor” also apply to joint auditors, jointly.
4. The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.<sup>3</sup> This applies equally to a joint audit engagement.
5. Section 44(3)(a) of the Auditing Profession Act, No. 26 of 2005 (the Act), states that the auditor must carry out the audit free from any restrictions whatsoever and in compliance, so far as applicable, with auditing pronouncements relating to the conduct of the audit.

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<sup>1</sup> ISA 600, *Special Considerations – Audit of Group Financial Statements (including the work of component auditors)*, paragraph 9(h) (emphasis added).

<sup>2</sup> IAASB Glossary of Terms (December 2018), definition of “Auditor”.

<sup>3</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 3.

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6. The guidance contained in this proposed Guide does not establish new requirements or contain exemptions from the requirements of the ISAs and should be read in conjunction with the ISAs, as applicable. The auditor exercises professional judgement to determine the extent to which any of the guidance provided in this proposed Guide may be appropriate in light of the requirements of the ISAs and the particular circumstances of the joint audit engagement.
7. Firms may establish policies and procedures that are relevant to joint audit engagements, while taking cognisance of this proposed Guide.
8. Also, the content of this proposed Guide may be useful to those charged with governance and management of entities who have joint auditors or are planning joint audits.
9. This proposed Guide applies only to joint audit engagements performed by auditors within South Africa. However, it may be considered in a cross-border joint audit engagement, where an auditor from South Africa performs a joint audit engagement with an auditor registered in another jurisdiction, such as in public sector audits of multi-lateral organisations.
10. Further, if the Auditor-General of South Africa opts not to perform an audit, in terms of Section 4(3) of the Public Audit Act, and therefore takes no accountability, joint audit engagements are allowed in that instance in the public sector.
11. This proposed Guide does not extend to:
  - An engagement to review financial statements in accordance with *International Standards on Review Engagements* (ISREs). It may, nevertheless, be considered by a reviewer in performing a joint review engagement.
  - An assurance engagement in accordance with *International Standards on Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ISAEs). It may, nevertheless, be considered by the assurance provider in performing a joint engagement of this nature.
  - A shared audit<sup>4</sup>.

### Definitions

12. For purposes of this proposed Guide, all the terms defined in the ISAs and reflected in the *Glossary of Terms* (December 2018) have the same meanings attributed to them, including, but not limited to, the following:
  - “Audit documentation”;
  - “Audit evidence”;
  - “Audit file”;
  - “Audit opinion”;
  - “Component auditor”;

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<sup>4</sup> A single auditor engagement where a portion of the audit has been outsourced to another firm(s).

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- “Engagement quality control reviewer” (EQCR);
  - “Experienced auditor”;
  - “Firm<sup>5</sup>”;
  - “Management”; and
  - “Those charged with governance”.
13. A *joint audit engagement* is an audit by two or more separate firms that are engaged to jointly audit the entity’s financial statements and issue a joint auditors’ opinion on those financial statements, thereby taking joint responsibility for the audit and the audit opinion.
14. A *joint audit opinion* is a single audit opinion signed by two or more separate firms engaged in a joint audit engagement.
15. A *joint auditor* is an auditor who is jointly engaged under a joint audit engagement; in the case of a firm, the auditor would have been assigned to the joint audit engagement by the firm.
16. A *new joint audit engagement* is when a new firm(s) is added to, or an existing firm(s) exits<sup>6</sup> the engagement.
17. A *single auditor engagement* is an audit where only one firm is engaged to audit the entity’s financial statements and then issues an auditor’s report on those financial statements.<sup>7</sup>
18. A *cross-review* in the case of a joint audit engagement refers to the procedure(s) performed by one joint auditor on the audit documentation of the other joint auditor(s).
19. The *IRBA Code* is the IRBA Code of Professional Conduct for Registered Auditors (Revised November 2018).

### Circumstances for a Joint Audit Engagement

20. In South Africa, entities appoint joint auditors to audit the entities’ financial statements for various reasons, which may include the need for auditor continuity, the development of the resource pool, skills transfer and/or consideration of Mandatory Audit Firm Rotation (MAFR).

### Roles and Responsibilities of a Joint Auditor

21. A joint auditor has a joint responsibility with the other joint auditor(s) for the audit and the audit opinion on the financial statements. The joint responsibility emanates from the engagement letter (i.e. the contract), resulting in the joint auditors and their respective firms being jointly and severally liable for the joint audit engagement.

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<sup>5</sup> The auditors are also referred to the definition of a firm in the Act.

<sup>6</sup> Exiting the engagement could be as a result of the joint auditor’s resignation, removal or rotation off the engagement.

<sup>7</sup> This includes a shared audit where a portion of the audit is outsourced to another firm(s).

22. The joint auditors shall ensure that the joint audit engagement has been conducted in accordance with the applicable ISAs, and that sufficient appropriate audit evidence has been obtained collectively by all the joint auditors in order to express a joint audit opinion.

## **Independence and Other Relevant Ethical Requirements Compliance**

23. A joint auditor evaluates, before and throughout the joint audit engagement, that the other joint auditor(s) meets the ethical and independence requirements necessary for carrying out the audit in accordance with the IRBA Code and other relevant ethical requirements. However, the responsibility for compliance with the IRBA Code and other relevant ethical requirements rests with each joint auditor individually.
24. The joint audit engagement partners shall remain alert for evidence of non-compliance with relevant ethical requirements by members of the engagement team and determine the appropriate action, if such non-compliance is identified.<sup>8</sup> A letter by each of the joint auditors to each other, explaining their processes in this regard, may form part of the audit documentation.
25. If any joint auditor is not satisfied with the compliance with independence and other relevant ethical requirements of the other joint auditor(s), the dissatisfied joint auditor applies professional judgement and considers declining or resigning from the joint audit engagement.

## **Quality Control System**

26. ISA 220, *Quality Control for an Audit of Financial Statements*, presumes that audit engagements are conducted by a firm that is subject to the requirements of International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. Therefore, prior to the acceptance or continuance of a joint audit engagement, the joint auditors, based on their professional judgement, need to satisfy themselves that there are adequate quality control systems in place at each firm(s) that is party to the joint audit engagement.<sup>9</sup> For this purpose, the joint auditors may need to agree on access to the relevant firm records, resources or information. Consequently, the joint auditors document how they have satisfied themselves to achieve the abovementioned purpose with respect to adequate quality control systems of the other joint auditor(s).
27. The joint audit engagement partners need to ensure that their responsibility with respect to audit quality will be discharged<sup>10</sup>, and to then plan and perform the audit accordingly. A letter by each joint auditor to the other(s), explaining their processes in this regard, may form part of the audit documentation.

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<sup>8</sup> ISA 220, paragraphs 9 and 10.

<sup>9</sup> ISA 220, paragraph 2.

<sup>10</sup> ISA 220, paragraph 8.

28. If any joint auditor is not satisfied with the quality control systems of the other joint auditor(s) – whether at the engagement acceptance, during or at the end of the engagement – the dissatisfied joint auditor applies professional judgement in determining whether additional work in relation to the joint audit engagement can be performed in overcoming the deficiency(ies) identified. If not, they should then consider declining or resigning from the joint audit engagement.

## **Acceptance and Continuance of Audit Client Relationships and Engagements**

29. The joint auditors apply the ISAs<sup>11</sup>, the IRBA Code and other relevant ethical requirements in determining the acceptance and continuance of audit client relationships and audit engagements.
30. In issuing the engagement letter, joint auditors apply the requirements of ISA 210, *Agreeing the Terms of Engagement*, and draft the engagement letter in accordance with the policies and procedures of each joint auditor's firm. To ensure that there are clear terms of engagement for all parties involved, a single engagement letter is agreed to between the audit client and the joint auditors.

## **Joint Auditors' Agreements**

31. In addition to the engagement letter, the joint auditors may decide to put in place a joint auditors' agreement that is meant to document the policies and procedures to be followed by the joint auditors in conducting the joint audit engagement.
32. The joint auditors' agreement can be a formal agreement, for example, a contractual agreement. Also, the joint auditors may consider it appropriate to seek legal advice regarding the joint auditors' agreement.
33. The joint auditors' agreement may include the following, which is not an exhaustive list:
- Confirmation of a professional indemnity cover by each joint auditor;
  - Agreeing to audit fee billing arrangements;
  - Agreeing to monitoring arrangements;
  - Agreeing to group audit arrangements;
  - The allocation of work to each joint auditor;
  - Communication protocols in respect of the independence and other relevant ethical requirements of a joint auditor;
  - Communication protocols in respect of the quality control systems of a joint auditor;
  - The right of access to the working papers of a joint auditor;
  - The timing and processes for cross-reviewing each other's working papers;

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<sup>11</sup> ISA 220, paragraphs 12 and 13.

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- Consultation processes and requirements of their respective firms;
  - The content to be addressed in the management representation letter;
  - Communication protocols in respect of meetings with audit client management, those charged with governance and the required attendees;
  - The process for preparing written communication, such as audit committee documents;
  - Dispute resolution mechanisms or protocols;
  - The archiving and retention process or protocol for the audit file; and
  - Other matters, as may be agreed upon between the joint auditors.
34. The joint auditors may share their joint auditors' agreement with those charged with governance.
35. In addition to joint audit agreements related to the audit of the financial statements, the entity may engage the firms to provide other assurance-related services (that are not prohibited), such as work on interim financial statements. In such instances, other agreements that are similar to joint audit agreements may need to be considered.

### **The Role of an Engagement Quality Control Reviewer in a Joint Audit Engagement**

36. The joint auditors, together with their respective firm(s), consider the appointment of an engagement quality control reviewer (EQCR) in a joint audit engagement, if applicable, in accordance with the relevant ISAs and the policies and procedures of the firm(s).
37. Each firm may appoint and perform engagement quality control reviews as an engagement quality control review is a firm level response.
38. The EQCR of each joint auditor may consider the cross-review documentation, which is included in the working papers prepared by the engagement team, depending on the scope of the engagement quality review and areas of significant judgement. The EQCR may also request access to the working papers of the other joint auditor(s).
39. In instances where all joint auditors have an EQCR respectively appointed by each of their firms, the EQCRs may interact with each other for purposes of coordinating the engagement quality control review.

### **Audit Plan and Strategy<sup>12</sup>**

40. In a joint audit, the joint auditors are jointly responsible for the audit. Therefore, the audit work will need to be planned accordingly. The nature, timing and extent of the procedures to be performed and the audit evidence obtained shall be sufficient and appropriate to enable the joint auditors to express a joint audit opinion, in accordance with the ISAs.

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<sup>12</sup> Refer to Appendix 1 of Joint Auditors' Considerations in Audits of Group Financial Statements.

## PROPOSED GUIDE FOR REGISTERED AUDITORS: JOINT AUDIT ENGAGEMENTS

41. To be able to develop a joint audit plan, the joint auditors jointly establish the overall audit strategy. The joint auditors can also develop the audit plan on a standalone basis, according to the overall policy of each of their respective firm(s). In the case of a standalone plan, the joint auditors will need to agree on the overall audit strategy to inform the development of the audit plan.
42. The joint auditors shall obtain an understanding of the entity and its environment and assess the risks of material misstatement at the financial statement level, taken as a whole, and determine the materiality level(s).
43. The joint auditors jointly design and implement overall responses to address the assessed risks of material misstatements at the financial statement level.<sup>13</sup>
44. The joint auditors design and perform further audit procedures whose nature, timing and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level.<sup>14</sup>
45. The nature, timing and extent of work to be performed in an audit of financial statements under a joint audit engagement are the same as those under a single auditor engagement.
46. The joint auditors shall ensure that sufficient appropriate audit evidence has been obtained for all significant risks and material account balances, classes of transactions and disclosures in the financial statements.
47. The joint auditors may allocate the work among themselves in terms of business units, branches, subsidiaries, geographical locations, or specific items on the financial statements (i.e. assets and liabilities or income and expenses); or on any other mutually agreed basis. The joint auditors may also consider the rotation of work allocated from one financial period to another, as there are benefits to be gained from such a decision. Further, those charged with governance and regulators may request or prescribe that work be rotated among the joint auditors.
48. In some cases, certain areas of work, owing to their importance or the nature of the work involved, would not be divided but be performed by all the joint auditors.
49. The joint auditors agree in writing on the allocation of the work, for the efficient conduct of the audit, and communicate this to those charged with governance.
50. Based on audit evidence obtained during the performance of audit procedures, the joint auditors shall assess jointly, throughout the joint audit engagement, if their initial assessment of the risks of material misstatements at the financial statement level and assertion level remains appropriate. If necessary, they will modify the nature, timing or extent of planned audit procedures, and consider the appropriateness of the allocation of the amended procedures.

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<sup>13</sup> ISA 330, *The Auditor's Responses to Assessed Risks*, paragraph 5.

<sup>14</sup> ISA 330, *The Auditor's Responses to Assessed Risks*, paragraph 6.

## **New Joint Audit Engagement**

51. If the joint audit is an initial audit engagement<sup>15</sup> for the joint auditors, the joint auditors shall perform work on the opening balances.<sup>16</sup> With reference to the definition of a new joint audit engagement, the scenario of an initial audit engagement can be brought about by the rotation of a single firm off a joint audit engagement. The remaining/continuing joint auditor(s) from the previous joint audit engagement, jointly with the new joint auditor(s), forming the new joint audit engagement, shall document the work performed on the opening balances, as this would be a new joint audit engagement.

## **Consultations on Technical, Independence/Ethical or Other Matters**

52. The joint auditors are jointly responsible for the audit. Therefore, significant matters that include technical and ethical issues arising from the audit are discussed among the joint auditors, together with management and/or those charged with governance, as appropriate. The conclusions reached, as a result of the discussions, are jointly implemented by the joint auditors and documented accordingly.

## **Access to the Working Papers of a Joint Auditor**

53. The joint auditors' agreement stipulates the right of access to the working papers of a joint auditor.

## **Cross-Review of the Work Performed by the Other Joint Auditor and Documentation of the Cross-Review**

54. The purpose of a cross-review is to ensure that the audit has been conducted in accordance with the ISAs; and that in the professional judgement of the joint auditor, sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the joint auditors' report to be issued.<sup>17</sup>
55. The joint auditors, at the planning stage, agree on the timing and processes for carrying out the cross-review of the work of the other joint auditor(s) to ensure that it has been carried out according to the agreed upon audit strategy before forming the joint audit opinion.
56. The cross-review is performed in a timely manner, at appropriate intervals during the audit and on appropriate sections of the other joint auditor's/auditors' documentation. The determination of appropriate intervals and sections of the audit documentation to review is a matter of professional judgement. The objectives of cross-reviews at different intervals or sections of the documentation of the audit may differ, as described below.

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<sup>15</sup> ISA 300, *Planning an Audit of Financial Statements*, paragraphs 13 and A22.

<sup>16</sup> ISA 510, *Initial Audit Engagements – Opening Balances*.

<sup>17</sup> ISA 220, paragraph 17.



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- The objective of a cross-review at the planning stage of the audit, and of planning sections of the other joint auditor's/auditors' documentation, would be to ensure that the audit strategy and plan are in compliance with the ISAs and consistent with what was agreed upon by the joint auditors; and that there is no contradictory documentation that brings into question the robustness of the audit file as a whole.
  - The objective of a cross-review at the execution stage of the audit and the execution sections of the other joint auditor's/auditors' documentation would be to ensure compliance with the ISA; that the audit procedures have been executed according to the agreed upon audit strategy and plan; and that judgements applied during execution and findings noted are appropriate and documented.
  - The objectives of a cross-review at the completion stage of the audit and the completion sections of the other joint auditor's/auditors' documentation include:
    - Determining that the conclusions of the other joint auditor(s) are appropriate and consistent with the audit evidence.
    - Determining whether uncorrected misstatements (as identified by all joint auditors) are appropriately collated for joint evaluation, as per paragraph 75 below.
    - Making an overall evaluation whether sufficient appropriate audit evidence has been obtained, and properly documented, on which to base the joint audit opinion. This evaluation includes judgements relating to forming an opinion on the financial statements, as described in the ISAs.
    - Compliance with the ISAs.
57. Timely reviews of the following by the engagement partner at appropriate stages during the engagement allow significant matters to be resolved on a timely basis to the engagement partner's satisfaction on or before the date of the auditor's report:
- Critical areas of judgement, especially those relating to difficult or contentious matters identified during the course of the audit engagement;
  - Significant risks; and
  - Other areas the engagement partner considers important.<sup>18</sup>
58. Cross-reviews are completed and documented at appropriate stages, on or before the date of the joint auditors' report. Inquiry alone, as a cross-review procedure, is not sufficient; it is supplemented by a review of working papers.
59. A review consists of consideration of whether:
- The work has been performed in accordance with professional standards and applicable legal and regulatory requirements;
  - Significant matters have been raised for further consideration;
  - Appropriate consultations have taken place, and the resulting conclusions have been documented and implemented;

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<sup>18</sup> ISA 220, paragraph A18.

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- There is a need to revise the nature, timing and extent of work performed;
  - The work performed supports the conclusions reached and is appropriately documented;
  - The evidence obtained is sufficient and appropriate to support the report; and
  - The objectives of the engagement procedures have been achieved.<sup>19</sup>
60. In documenting the nature, timing and extent of the cross-review performed, each joint auditor records:
- The identifying characteristics of the specific items or matters tested;
  - Who performed the cross-review, and the date such work was completed; and
  - The extent of such a cross-review.
61. The cross-review is sufficient to satisfy an experienced auditor, having no previous connection with the joint audit engagement, to be able to understand the nature, timing and extent of the cross-review procedures, and the conclusions reached in the cross-review. Evidence of the cross-review may include the following:
- Minutes of meetings held with the other joint auditor(s); and
  - Documentation of how the joint auditor ensured compliance with the joint audit strategy, for example, with regard to the agreed-upon procedures, sample sizes and materiality.
62. If a joint auditor, after carrying out the cross-review, evaluates and concludes that the audit evidence of the other joint auditor(s) is insufficient and/or inappropriate to support the conclusions reached, the joint auditor highlights the observations to the other joint auditor(s) and requests them to perform additional procedures, as appropriate.
63. If the other joint auditor(s) disagrees or is unable to carry out the additional procedures, the joint auditor requesting that additional procedures be performed would then perform these additional procedures to obtain the sufficient appropriate audit evidence required to conclude and form a joint audit opinion on the financial statements. The joint auditor may consider communicating this to those charged with governance, as appropriate, after exploring all reasonable dispute resolution mechanisms.

### Communication

64. A joint auditor communicates with the other joint auditor(s) on a timely basis.<sup>20</sup> The communication may include<sup>21</sup>:
- The ethical requirements that are relevant to the joint audit engagement and, in particular, independence requirements;
  - The processes, in relation to the review of the other joint auditor's working papers;

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<sup>19</sup> ISQC 1, paragraph A 35.

<sup>20</sup> ISA 600, paragraph 40.

<sup>21</sup> ISA 600, paragraph 41.

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- Identified significant risks of material misstatement at the financial statement level or assertion level, due to fraud or error, that may be relevant to the work of the other joint auditor(s);
  - Information on instances of non-compliance with laws and regulations that could give rise to a material misstatement of the financial statements;
  - Indicators of possible management bias;
  - A description of any identified significant deficiencies in internal control;
  - Other significant matters that the joint auditor expects to communicate to those charged with governance, including fraud or suspected fraud and reportable irregularities, if any;
  - Any other matters that may be relevant to the audit that the other joint auditor(s) should be aware of and/or that are relevant to the work of the other joint auditor(s); and
  - The joint auditors' findings and conclusions, which may lead to a modified opinion.
65. The joint auditors apply the requirements in ISA 260 (Revised), *Communicating with Those Charged with Governance*, regarding communication with management and those charged with governance.
66. The joint auditor(s) establishes an effective communication plan with the other joint auditor(s), such that all joint auditors are aware of the issues being discussed and communicated with management and those charged with governance.
67. In joint audit engagements, written communication – such as management letters, letters to those charged with governance, reports or presentations to the audit committee relating to the audit engagement, management and/or those charged with governance – is made jointly by the joint auditors. This will facilitate consistent communication of the joint views and conclusions of the joint auditors.
68. Further, the joint auditors obtain and document the joint representation letter from management and/or those charged with governance. Also, the joint auditors consult each other on the content of the management representation letter.
69. Important or critical meetings, including planning meetings or meetings to discuss key risks and significant issues between the joint auditors, as well as periodic meetings with management and/or those charged with governance (including audit committee meetings), are attended by representatives from all of the joint auditors.

## **The Role of Joint Auditors in Reporting a Reportable Irregularity in terms of the Auditing Profession Act**

70. The joint auditors shall consider their roles and responsibilities regarding reportable irregularities in terms of the Act and the Revised Guide for Registered Auditors: *Reportable irregularities in terms of the Auditing Profession Act*.<sup>22</sup>

## **Joint Auditors' Report and the Resolution of Differences of Opinion<sup>23</sup> Between Joint Auditors**

71. The joint auditors discuss and establish a process for dealing with and resolving differences of opinion among themselves. This is preferably done during the planning stage.
72. Effective procedures, including communication protocols, encourage the identification of differences of opinion at an early stage; provide a clear pathway for the successive steps to be taken thereafter; and require documentation for the resolution of differences and the implementation of the conclusions reached.
73. In rare circumstances where the differences of opinion between the joint auditors cannot be resolved (after all reasonable steps to resolve the differences have been taken) and the matter is significant enough to affect the joint audit opinion, the joint auditors consider whether the joint audit engagement continues, including consideration of audit client acceptance. Thereafter, the joint auditors inform management and/or those charged with governance of the conclusions reached.
74. If the differences of opinion are as a result of a joint auditor concluding that the other joint auditor(s) is/are not independent and/or non-compliant with other relevant ethical requirements, the first mentioned joint auditor would consider the implications on the joint audit engagement in accordance with ISA 220, paragraph 11(c), and withdraw from the joint audit engagement. Thereafter, the joint auditor would then inform the audit client as appropriate in terms of ISA 260 (Revised).

## **Concluding in a Joint Audit Engagement**

75. In order to form an opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. That conclusion shall take into account:
- The auditor's conclusion, in accordance with ISA 330, whether sufficient appropriate evidence has been obtained;
  - The auditor's conclusion, in accordance with ISA 450, whether uncorrected misstatements are material, individually or in aggregate; and

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<sup>22</sup> Refer to Appendix 3 of this proposed Guide.

<sup>23</sup> Refers to different points of views about how to conduct the joint audit engagement in general, and not only to the joint audit opinion.

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- The evaluations in paragraphs 12-15 of ISA 700 (Revised).<sup>24</sup>
76. In the case of a joint audit engagement, the abovementioned process is done jointly by the joint auditors. This is in addition to the consideration of the revision of materiality (if applicable), obtaining the management representation letter and concluding on the audit opinion to be expressed jointly.

### Documentation<sup>25</sup>

77. The audit file, in the context of a joint audit engagement, consists of each joint auditor's documentation relating to their agreed allocated audit work, and the documented evidence of the cross-review. Each joint auditor maintains the documentation, relating to their agreed allocated audit work. Collectively, the joint auditors' documentation forms the audit file.
78. The documentation in the audit file<sup>26</sup> shall be sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:
- The nature, timing and extent of the audit procedures performed to comply with the ISAs and applicable legal and regulatory requirements;
  - The results of the audit procedures performed, and the audit evidence obtained; and
  - Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgements made in reaching those conclusions.<sup>27</sup>
79. The joint auditors establish policies and procedures for the accessibility and retrieval of the final audit file.

### Archiving of the Audit File

80. The joint auditors establish policies and procedures for assembling the final audit file, and this is ordinarily not more than 60 days after the date of the joint auditors' report<sup>28</sup>. The assembly period may be included in the joint auditors' agreement.
81. The joint auditors confirm to each other in writing that the final audit file has been assembled, closed and archived in accordance with the ISAs and the IRBA Code.

### Considerations of MAFR on Joint Audit Engagements

82. The joint auditors shall consider the IRBA's MAFR ruling, effective from 1 April 2023, and plan accordingly in consultation with the audit client. This shall include planning for possible skills transfer in preparation for MAFR implementation.

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<sup>24</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph 11.

<sup>25</sup> Refer to Appendix 2 for a summary of documentation considerations regarding topics covered in this proposed Guide.

<sup>26</sup> Refers to the collective audit file held by the joint auditors.

<sup>27</sup> ISA 230, paragraph 8.

<sup>28</sup> ISA 230, paragraphs 14 and A21.

## Joint Auditors' Considerations in Audits of Group Financial Statements

1. In some cases, the joint audit engagement may be a group audit, as defined in ISA 600. In such cases, the joint auditors shall apply ISA 600. This appendix sets out matters that the joint auditors may consider, and these are a high-level summary and not meant to be an exhaustive list.
  - The joint auditors may jointly perform the risk assessment and planning for the group audit. As part of this process, the group engagement team<sup>29</sup> will identify and assess group risks, group scoping, component materiality and involvement in the component audits, in accordance with ISA 600.
  - The joint auditors may determine which joint auditor will audit each component. This may be done as follows:
    - A component is allocated to one of the joint auditors.
    - A component is determined to be jointly audited, i.e. whether its significance to the group, resourcing or skills transfer warrants all joint auditors' involvement in that component.
2. Special consideration may be given to the allocation of central functions, as the work performed at these functions is likely to be relied on by all joint auditors at a group level, as well as by component auditors. The audit work at these functions may be allocated according to either option outlined above. The group engagement team may consider the most effective allocation, cross-review and reporting formats to ensure that all auditors placing reliance on the central function will have sufficient appropriate audit evidence related to that function to support their audit opinions (whether these are for group reporting or statutory audit purposes).
3. Joint auditors may consider agreeing the scope and timing of involvement in the component auditor's work. This may include determination of which joint auditor takes responsibility for involvement in each component and the extent of involvement deemed necessary in the professional judgement of the joint auditor; and this may form part of the joint auditors' agreement.
  - Group instructions may need to detail the more complex reporting requirements for components, including the need to keep all joint auditors in component communications, how the group engagement team plans to be involved at the component level, group reporting templates, and instructions regarding cross-review at components that are jointly audited.
  - The group engagement team concludes on the group audit as a whole; consequently, each joint auditor's working papers will include evidence supporting this conclusion, including the following:
    - Group risk assessment, as detailed above;

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<sup>29</sup> Refer to paragraph 2 of this proposed Guide.

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- Involvement in the component audits or cross-review of the joint auditors' documentation, if such involvement is applicable; and
- A cross-review of central functions, if applicable.

## Summary of Documentation Considerations Regarding Topics Covered in this Proposed Guide

1. The joint auditors, for the purpose of documenting the work in the audit file, may consider the following with respect to the joint audit engagement, and this is not an exhaustive list:
  - Documentation of the confirmation from the other joint auditor in relation to compliance with independence and other relevant ethical requirements for the purpose of the joint audit engagement;
  - Documentation of the audit planning and materiality (including performance materiality) and risk assessment (including fraud risk assessment) done jointly by the joint auditors;
  - Documentation of the discussions and consultations between joint auditors and the conclusions arising from those discussions and consultations, including those related to any additional audit procedures that have been performed;
  - Documentation relating to the agreed-upon allocation of work and performance thereof by the other joint auditor(s) and the cross-review by the joint auditor;
  - Documentation of the analysis of the significant risk areas or components of the financial statements, and the scope and extent of the review performed on the work of the other joint auditor(s);
  - Documentation of the meetings and/or discussions with management and/or those charged with governance on significant risk areas and components;
  - Documentation of cross-review procedures on the work performed by the other joint auditor(s);
  - Documentation of the overall evaluation of uncorrected misstatements by the joint auditors;
  - Documentation of the involvement of the engagement quality control reviewer, where applicable;
  - Documentation of the resolution of disagreements on significant audit areas or judgemental areas between joint auditors; and
  - Documentation of evidence of communication between the joint auditors.



## Extracts from IRBA Pronouncements that are of Relevance to Joint Audit Engagements

### **Revised Guide for Registered Auditors: Access to Audit Working Papers**

1. Where the joint auditor has contracted to give access to working papers, access is granted in terms of the contract between the joint auditors (firms). The contract should allow each joint auditor sufficient access to the working papers to ensure that they are able to comply with the responsibilities and requirements in terms of auditing pronouncements, as prescribed or issued by the IRBA and which include the Standards of the IAASB and the Code.<sup>30</sup>

### **Revised Guide for Registered Auditors: Reportable Irregularities in terms of the Auditing Profession Act<sup>31</sup>**

2. If more than one auditor is responsible and accountable for an audit engagement (such as in a joint audit engagement), the duty to consider whether an unlawful act or omission is a reportable irregularity lies with each individual auditor. Depending on whether both auditors, or only one of them, are satisfied or have reason to believe that a reportable irregularity exists, auditors have certain responsibilities.
3. If both individual auditors are satisfied or have reason to believe that the unlawful act or omission meets the definition of a reportable irregularity:
  - The auditor/s responsible and accountable for the audit may send a combined report in terms of Section 45; or
  - Each individual auditor responsible and accountable for the audit may send a separate report, and still comply with the requirements of Section 45.
4. If only one auditor is satisfied or has reason to believe that the unlawful act or omission meets the definition of a reportable irregularity, such auditor must send a report in terms of Section 45 to comply with the requirements of the section. A copy of the report should also be sent to the other joint auditor.

### **Rule on Mandatory Audit Firm Rotation**

5. If, at the effective date, the public interest entity has appointed joint auditors and both have had audit tenure of 10 years or more, then only one audit firm is required to rotate at the effective date, and the remaining audit firm will be granted an additional two years before rotation is required.<sup>32</sup>

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<sup>30</sup> Revised Guide for Registered Auditors: *Access to Working Papers*, paragraph 29.

<sup>31</sup> Revised Guide for Registered Auditors: *Reportable Irregularities in terms of the Auditing Profession Act*, paragraph 6.2.1.

<sup>32</sup> Rule on Mandatory Audit Firm Rotation, transitional provisions, paragraph 1.